



Revenue and Transportation Interim Committee

64th Montana Legislature

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TO: Members of the Revenue and Transportation Interim Committee

FROM: Megan Moore, Research Analyst

RE: Revenue Estimating Process, Consideration of Agenda Items

DATE: April 26, 2016

The purpose of this memorandum is to prepare the committee to discuss what types of information are desired as part of the revenue estimating process. The committee has two more interim committee meetings: September 2016 and November 2016.

Statutory Requirements Background

Section 5-5-227, MCA, outlines the revenue estimating duties of the Revenue and Transportation Interim Committee: "The committee must have prepared by December 1 for introduction during each regular session of the legislature in which a revenue bill is under consideration an estimate of the amount of revenue projected to be available for legislative appropriation." The initial estimate is important because it serves as the Legislature's current estimate until it is amended or until adopted by both houses. The figures are used by agencies and for fiscal note preparation.

Presentations to Inform Revenue Estimate

Before the 2009-2010 interim, the committee received information about the revenue estimate only at the meeting at which the committee adopted the revenue estimate. During the 2011-2012 and 2013-2014 interims, the committee requested initial presentations on the state and national economic outlooks at the September committee meeting and a Montana economic outlook update at the November meeting. In 2010, items related to the revenue estimate appeared on the agendas for the final three meetings in August, September, and November, probably because of increased focus on the revenue estimate after the recession. The 2010 presentations covered not only economic outlooks but in-depth information about how the revenue estimates are developed.

At the September 2014 Revenue and Transportation Interim Committee meeting, the agenda included the following revenue estimate-related agenda items:

- Overview of U.S. and Montana economies -- Jim Diffley, Doug Handler, and Steve Frable, IHS;
- Overview of Montana oil and gas related to revenue estimates -- Dave Pursell, Tudor, Pickering, Holt & Co.;
- Montana economic outlook -- Patrick Barkey, Bureau of Business and Economic Research;
- Overview of Montana labor and business trends -- Barbara Wagner, Montana Department of Labor and Industry;
- Agricultural outlook -- Myles Watts, Montana State University; and

- Chamber of Commerce perspective -- Glen Oppel, Montana Chamber of Commerce. Presenters from the same organizations also presented at the September 2012 Revenue and Transportation Interim Committee meeting.

The 2011-2012 Revenue and Transportation Interim Committee also requested an update on the Montana economy at the November meeting just before the committee delved into the business of hearing revenue estimate presentations from the Legislative Fiscal Division and the Office of Budget and Program Planning. The presenter was Patrick Barkey from the Bureau of Business and Economic Research and the presentation was about 35 minutes including committee questions throughout. This November presentation was longer than the one provided in September, which lasted about 15 minutes.

The 2013-2014 Revenue and Transportation Interim Committee used a slightly different process at its November 2014 meeting and asked Stephanie Morrison of the Legislative Fiscal Division to summarize the Montana economic outlook presentations and provide updated data from IHS.

Joint Revenue Estimating Subcommittee

The committee's actions on whether to formalize a joint revenue estimating subcommittee may impact the chosen approach to the revenue estimate at the remaining interim committee meetings. The processes outlined in this memorandum preceded legislative sessions in which little additional time was allocated for considering the revenue estimate. In legislative sessions before 2015, formal discussion of the revenue estimate was mostly limited to the hearing on the revenue estimating resolution and an updated revenue estimate presentation from the Legislative Fiscal Division in March.

Committee Decisions

A concern that RTIC staff and Legislative Fiscal Division staff have heard for the past few interims is that, while the committee finds the presentations outlined above interesting, committee members are uncertain of how to incorporate the information provided into the consideration of the revenue estimate. An attempt to address that concern was made last interim when the Legislative Fiscal Division created [worksheets](#) to accompany each presentation. The worksheets summarized relevant data and listed possible questions committee members may wish to ask the presenters. Feedback provided during the 2015-2016 interim planning meeting indicated that some members of the committee still feel ambivalent about the economic outlook presentations.

The committee should consider and advise staff about what types of information are desired to inform the revenue estimating resolution during the final two committee meetings. After the June meeting, the committee next meets September 7-8. The final committee meeting is scheduled for November 18 and agenda items for that meeting will be focused on the committee's revenue estimating duties and adoption of a revenue estimate.